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FISCAL IMPACT STATEMENT

LS 7685

BILL NUMBER: HB 1485

NOTE PREPARED: Jan 22, 2007

BILL AMENDED:

SUBJECT: Tax increment financing.

FIRST AUTHOR: Rep. Noe

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ___ **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: *TIF Allocation:* This bill provides that for purposes of the various tax increment financing (TIF) statutes, property taxes are not part of the tax increment captured by a particular TIF district if those property taxes are attributable to assessed valuation that: (1) was the subject of a tax abatement deduction on the effective date of the TIF allocation provision; and (2) is no longer the subject of the tax abatement deduction.

Redevelopment Resolutions: The bill provides that a redevelopment commission must find that designating an area as a redevelopment area is in the best interest of the taxing units containing the area needing redevelopment and the taxing units containing territory within three miles of the area needing redevelopment, considered as a whole.

This bill provides that after submitting a resolution and supporting data to the plan commission for approval, the redevelopment commission must also file a copy of the resolution and supporting data with certain taxing units. It provides that if: (1) the plan commission and the municipal legislative body or county executive approve a resolution of the redevelopment commission; and (2) the redevelopment commission takes final action approving the resolution; the redevelopment commission must file notice of the final action with the legislative bodies of certain taxing units. It requires each legislative body receiving the notice of the final action to: (1) adopt a resolution that either approves or objects to the final action of the redevelopment commission; and (2) file the resolution with the appropriate municipal legislative body or county executive.

The bill provides that in addition to any objections that are filed by taxing units, the final action of a redevelopment commission may be appealed by the filing with the appropriate municipal legislative body or county executive of a written remonstrance signed by: (1) at least 65% of the owners of the land in the

redevelopment project area and any territory within three miles of the redevelopment project area; or (2) the owners of more than 75% of the assessed valuation of the land in the redevelopment project area and any territory within three miles of the redevelopment project area. It provides that if an objection is filed by a taxing unit or a remonstrance is filed, the municipal legislative body or county executive receiving the objection or remonstrance must hold a public hearing concerning the final action of the redevelopment commission.

This bill specifies that the municipal legislative body or county executive may approve the final action of the redevelopment commission only if that final action is of public utility and benefit and in the best interest of the taxing units, considered as a whole. It provides that if an objection or remonstrance is filed with the municipal legislative body or county executive, the final action of the redevelopment commission may take effect only if the final action is approved by the municipal legislative body or county executive. The bill provides that if the final action of a redevelopment commission is appealed to a court, the burden of proof is on the redevelopment commission (rather than the remonstrator).

The bill provides that a redevelopment commission may not designate an economic development area that is more than 100 acres unless the plan approved by the redevelopment commission for the economic development area includes a commitment or plan for the provision of water, sewage, and other utility services to the economic development area within three years.

Effective Date: July 1, 2007.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *TIF Allocation:* Under current law, the assessed value in a tax increment finance area that exceeds the base AV is allocated to, and the resulting property taxes captured by, the redevelopment commission. The base AV equals the net AV in the TIF area before it became a TIF area PLUS the value of residential property that was added after the TIF was established.

For TIF areas established after June 30, 2007, this bill would also add to the base the value of property:

- A) That was not included in the original base AV because an ERA abatement or an investment deduction was allowed prior to establishment of the TIF; and
- B) For which the ERA abatement or an investment deduction was not allowed for the most recent assessment date.

So, under current law, the AV of property that was abated before the TIF was established is not added to the regular property tax base when the abatement expires. Instead, that AV is captured by the TIF. Under this bill, for new TIF areas, the AV of formerly abated property would not be allocated to the TIF and would expand the regular tax base.

Increasing the tax base reduces the tax rate that all taxpayers pay. This bill would reduce the tax burden for all taxpayers and reduce TIF proceeds when this situation arises.

Redevelopment Resolutions: To establish a TIF area under current law, the redevelopment commission must

adopt a resolution declaring that it will be of public utility and benefit to acquire and redevelop the area. Under this bill the commission would also need to declare that the acquisition and redevelopment will be in the best interest of both the taxing units containing the area and also the taxing units within three miles.

Under current law, the redevelopment commission must submit a resolution and supporting data to the plan commission for approval of the plan. Under this bill, the redevelopment commission would also be required to file a copy of the resolution and supporting data with the taxing units containing the area and also the taxing units within three miles.

Under this provision, all notices, orders, and other information that must be filed with the various commissions or certain taxing units must also be filed with the taxing units containing the area and also the taxing units within three miles.

Each taxing unit that receives a notice of final action would have to approve or object to the action in a resolution filed with the municipal legislative body or county executive that approved the plan commission's order. Under the proposal, the final action may also be appealed by the filing a written remonstrance with the appropriate municipal legislative body or county executive. The remonstrance would have to be signed by: (1) at least 65% of the owners of the land in the area and within three miles; or (2) the owners of more than 75% of the land AV in the area and within three miles. The appropriate body must then hold a public hearing on the objection. The body must then approve, modify and approve, or rescind the redevelopment commission's action.

Under the bill, the final action of the redevelopment commission may be appealed to a court only on the grounds that (1) the project is not of public utility and benefit or (2) in the best interest of the affected taxing units. The party with the burden of proof would change from the remonstrator under current law to the redevelopment commission under the proposal.

All of the additional reporting and hearing requirements could cause a slight increase in administrative costs when establishing a TIF area.

State Agencies Affected:

Local Agencies Affected: Local redevelopment commissions, counties, municipalities, and affected taxing units.

Information Sources:

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